



President's Message – February 2013

I am delighted to welcome Michael Blaschuk as the newest member of IPTI's Board of Advisors. Michael is the Executive Director of Real Estate Operations for the Province of British Columbia and is a fully accredited member of the Appraisal Institute of Canada. In his current role, and in other past senior positions with Public Works and Government Services Canada; Foreign Affairs and International Trade Canada; Revenue Canada; BC Assessment and BC Housing, Michael has gained significant experience in property taxation; payments-in-lieu of taxes programs; real estate deal and partnership structuring; asset and facilities management; contracting and procurement management; project and construction management; and portfolio planning. Michael has participated in many IPTI events over the years and I have no doubt that he will bring real value to our Board of Advisors.

In terms of recent IPTI events, we ran a Sales Comparison and Analysis of Sales Data Seminar on January 16, 2013 in Toronto. This seminar was presented jointly with the Institute of Municipal Assessors (IMA) and is one of a series of training events we are conducting with the IMA. The seminar was well received by delegates who commented favourably on the quality of the presentations.

On the subject of the IMA, in the latest edition of their magazine, the President, Colleen Vercooterren, refers to the success of these joint IMA-IPTI training events. She also refers to the IMA's development of professional standards which we are also involved with; we have provided an initial report to the IMA and are currently in the process of considering the comments of their stakeholders.

On the same theme, and in the same edition of IMA's "Insti-News", there is an article by Jack Walker QC on the necessity to establish valuation and reporting standards. As I have mentioned in previous IPTI newsletters, I think the setting of appropriate professional standards for property tax valuation work is going to be an increasingly important topic for all of us.

Moving on to the 2-day property tax workshop held in Las Vegas on 16-17 January which was organised by the Council on State Taxation (COST) in cooperation with



IPTI. The event was well attended with the majority of delegates representing large corporate entities. There were some excellent speakers who gave updates on a variety of topics including the current property tax environment and trends across the USA. Problems with the assessment of network properties (gas, water, electricity, telecoms, etc) were discussed along with some interesting issues regarding consistency and uniformity. The perennial problem of how to deal with intangibles in the property tax world produced some lively debate as did the determination of capitalisation rates in relation to the income approach. There were also interesting sessions on allowances for depreciation and obsolescence in valuations based on the cost approach.

A particularly interesting feature of the workshop was the use of handheld polling devices which enabled delegates to actively participate at relevant points in the various sessions; I thought this worked well and produced some interesting results.

My session at the workshop was entitled "Global Property Tax Issues – Recent Developments" which enabled me to bring the mostly American delegates up to date with what is happening in the rest of the world. As many of the companies involved have properties around the globe, I hope this was of interest. My IPTI colleague, Gerry Divaris, spoke in a session which focussed on the effective management of property taxes in a global environment. Both sessions appear to have been well received by delegates.

Staying with the USA, you will be aware of the problems caused by Hurricane Sandy. It is clear that localities across the New York region, already struggling with meeting the cost of cleaning up after the hurricane, are also having to deal with a substantial reduction in property tax revenues. The storm damaged tens of billions of dollars' worth of real estate, especially in coastal areas of Long Island and New Jersey.

The Division of Local Government Services in New Jersey estimated this month that more than a dozen municipalities in the state could lose at least 10% of their tax bases. According to State and local officials, about another 10 face a drop of between 5% and 10%. The tiny borough of Tuckerton is reported to have lost close to 20% of its property tax base and in Sea Bright, nearly half the homes are said to be uninhabitable. To make matters worse, if localities try to raise overall property tax rates to make up for deficits, they are likely to face opposition from



homeowners and other taxpayers with undamaged properties. It is clear that the revenue problems created by such natural disasters can have a significant effect long after the initial debris has been cleared up.

Localities affected by the hurricane are also facing the prospect that homeowners will demand that property taxes be cut because of perceived decreases in the value of their homes. Some homeowners may argue that their beachfront properties are worth less because potential purchasers, newly sensitive to the prospect of extreme weather conditions, may avoid areas seen as vulnerable. It looks as though these problems will continue for some time to come.

Moving on to a more positive bit of news, here's an interesting initiative from a town in New Jersey - Marlboro - that is seeking to support local businesses, many of which were affected by Hurricane Sandy, by giving property taxpayers an incentive to shop locally. Residents can purchase "Shop Marlboro" cards, make purchases from shops in their hometown and then obtain credits against their property tax bill. The way it works is that each merchant determines the size of the property tax discount and the amount is then printed on the customer's receipt. So, if a customer is due to pay \$100 for an item with 10% going towards the property tax bill, the \$100 is paid and the retailer or the service provider puts on the card the \$10 that gets picked up by the township and gets applied by way of a "credit" against the property tax bill. It seems this scheme is proving popular and more towns are planning to adopt it.

Property tax continues to be a significant political issue in various countries around the world. For example, in Italy, former Premier Silvio Berlusconi is vowing to scrap Italy's property tax in his first cabinet meeting if he is elected later this month. This is what he did when he was previously elected, but the property tax was later reinstated as part of Italy's response to the impact of the recession. It will be interesting to see how this issue develops in Italy.

An interesting recent development in Scotland is the publication online of the 1905 valuation rolls. These detail every property in Scotland with a rateable value. As well as providing an insight into Edwardian life, it is hoped the records will prove useful to genealogists. The rolls, searchable by name and address, detail the names of owners, tenants and occupiers of each property. The total archive comprises 4.2 million indexed entries and 2.4 million indexed names. This archive has much in common with the availability of the old survey records and plans



created by the Valuation Office in England and Wales dating back to 1910 which can be accessed online at the National Archives. It is good to see that property tax records have a use beyond their original purpose.

Having just looked a long way backwards, over 100 years in fact, let me look forward to what we have coming up in the near future. The event which will no doubt set the pulses racing is the property and construction conference being organised by the RICS to be held in Grand Cayman on 28 February. Jerry Grad and I have been invited to speak at the conference and we are looking forward to swapping the current cold, wet, weather in Canada and the UK for some glorious blue sky and sunshine in the Caribbean! Anyone who would like to come and join us will be most welcome.

Our many other forthcoming events for 2013 are shaping up well and I will provide more detail about them in due course. In the meantime, please keep an eye on the IPTI website (new version coming soon) for information.

Paul Sanderson
President
International Property Tax Institute